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Component Unit Financial Statements
And Report of Independent Auditors

Airport Authority for Airport District #1
Of Calcasieu Parish
Lake Charles, Louisiana

December 31, 2004 and 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7-13-05

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Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the accompanying financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, component unit of Calcasieu Parish Police Jury, as of December 31, 2004 and 2003 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority District #1 of Calcasieu Parish as of December 31, 2004 and 2003, and changes in financial position and cash flows thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 to 8, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2005 on our consideration of the Airport Authority District #1 of Calcasieu Parish's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Airport Authority District #1 of Calcasieu Parish, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the general purpose financial statements of Airport Authority District #1 of Calcasieu Parish. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Stubb & Associates

May 27, 2005

AIRPORT AUTHORITY FOR AIRPORT DISTRICT #1 OF CALCASIEU PARISH - LAKE CHARLES, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using This Annual Report

The basic financial statements focus on the Airport as a whole. These basic statements are designed to emulate corporate presentation models whereby all Airport activities are consolidated into one business-type fund. The focus of the Statements of Net Assets is designed to be similar to bottom line results for the Airport. This statement combines current financial resources with capital assets. The Statements of Revenues, Expenses, and Changes in Net Assets focus on results of operations and non-operating revenues that support operations of the Airport.

Overview of the year 2004

The industry remains mired in red ink with only the faintest and dissipating hope that 2005 may be the year when the U.S. airline industry finally turns the corner. From 2001 through 2003, U.S. airlines lost \$23.2 billion. In 2004 the industry posted a net loss in excess of \$3 billion. The financial condition of the U.S. airline industry over the past three years has been shaped by circumstances both within and beyond the control of the airlines. Government policies will play a critical role in determining whether the industry is able to achieve stability and return to profitability.

The rise in the price of oil over the past years has led to tremendous and devastating increases in jet fuel prices. On the labor front, carriers have achieved expense reductions by reducing head counts and by restructuring the contracts of remaining employees – for wages and benefits – and by eliminating many ineffective work rules. From what I read, operating expenses have been cut 13 percent from 2001 to 2004, a difference of over \$15 billion.

Closer to home, here in Lake Charles the average ticket price has dropped about \$22 over this past year. Consumers have come to expect low prices, more so now than ever. The Airport has made strides and has shown considerable effort in working with the Continental Express executives to regulate fares at Lake Charles and lead them to see that this community asks for no more or less than fair parity by comparison to cities around us. Airport District No. 1 had its tax (millage) renewed in 2004. The level of confidence in the Airport remains high since the tax passed by a margin of 78%.

Our passenger numbers continue to recover and grow at Lake Charles with one airline serving our community. The all-jet service and the Airport's new and more modern facility has contributed good public perception and a healthy rise in enplanements for 2004. Negotiations continue with airlines for additional air service.

New jet ways were officially opened during the summer and passengers continue to show and express their appreciation for such a wonderful new service at Lake Charles. Consultants who have considerable knowledge about this Airport have started a new Master Plan. They have been commissioned and contracted to work on what I think will be the all-time document for the present and the future of Lake Charles Regional Airport.

Funding from Calcasieu Parish Police Jury will provide for a new terminal and maintenance hangar project in 2005. A very positive business attitude continues at our Fixed Base Operator. The owners work diligently and effectively to present a very sophisticated and complete operation for the general aviation public. General aviation locally and in itinerant circles has come to recognize our FBO and enjoy doing business there.

This year I again express appreciation and thanks to the outgoing and incoming President of the Airport Authority for their help and consideration in the planning and development of projects throughout the year. We completed \$2 million in projects and have received another grant for 2005's project – the Master Plan, the HVAC and electrical update in the Passenger Terminal Building, along with a completely new airfield signage project. This totals an additional \$2 million in Federal and State funds.

We work continuously with the various state, federal and local agencies that help provide the necessary investment of funds that bring forward buildings, runways, and many other specific proposals.

In 1988 American Eagle joined us and at the beginning of 1989 Continental Express initiated service. The minutes book reflects negotiations in 1988 when the Airport Authority guaranteed American Eagle to board 1,000 people per month, which they did. Two years later they were boarding 2,000 people per month and when they left in 2000 they boarded an average of 3,800 people per month.

Continental Express showed the same growth and during American's last years Eagle and Continental were boarding nearly the same number of passengers per month. Looking back at Northwest's announcement to start service in 2001, and that would probably have forced Continental into competition and would have caused them to add capacity and thus raised enplanements. There was a great feeling of optimism but in a matter of weeks, the world was turned upside down by the terrible events of September 11th. The industry was about to suffer its worst crisis in 50 years. Airline traffic levels slumped and almost overnight future traffic plans, expansion forecast and airline commitments plummeted.

I see the "ice melting" although some concerns remain about the future of our markets. It is a tribute to the resilience of the industry that we again confidently plan for the future.

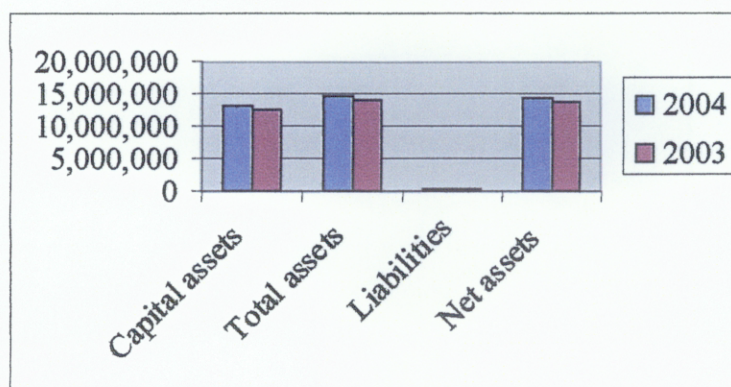
This Airport and all airports will continue to make the case for airport regulatory streamlining, especially security, since that has become a huge item of expense. We do receive some reimbursements although I can see us dipping into reserves each year because of the burden imposed on airport operators for security.

The Passenger Facility Charge (PFC) process going from \$3 per airline ticket to \$4.50 will give us some additional flexibility and my thinking is that there is a possibility that PFC funds in the near future could be directed to security costs.

We have once again accomplished a great deal during the fiscal year 2004 process with record-level funding of nearly \$2 million for AIP - PFC and local participation. Additionally, we did generate another \$1.5 million in revenues. I appreciate your support in all regards and look forward to another interesting year in 2005.

Financial Highlights

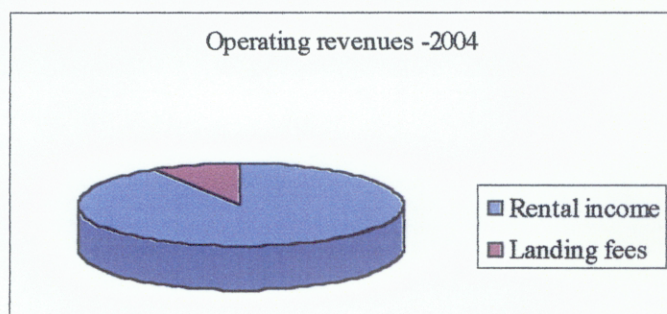
As of December 31, 2004, the Airport's net assets have increased to \$14.3 million from \$13.7 million at December 31, 2003. This increase is due in part to the addition of capital assets, in particular, a new jet way funded by airport improvement grants.



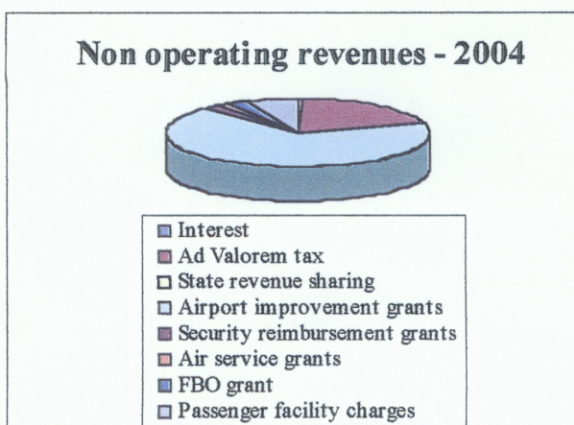
At year-end, operating revenues remained about the same as last year. Non-operating revenues were slightly higher in 2004. This is due primarily to the funding of 2 airport improvement projects that overlapped in 2004. Due to the continued decline in interest rates, interest income from our cash reserves fell again in 2004.

Revenue by Source

Operating Revenue



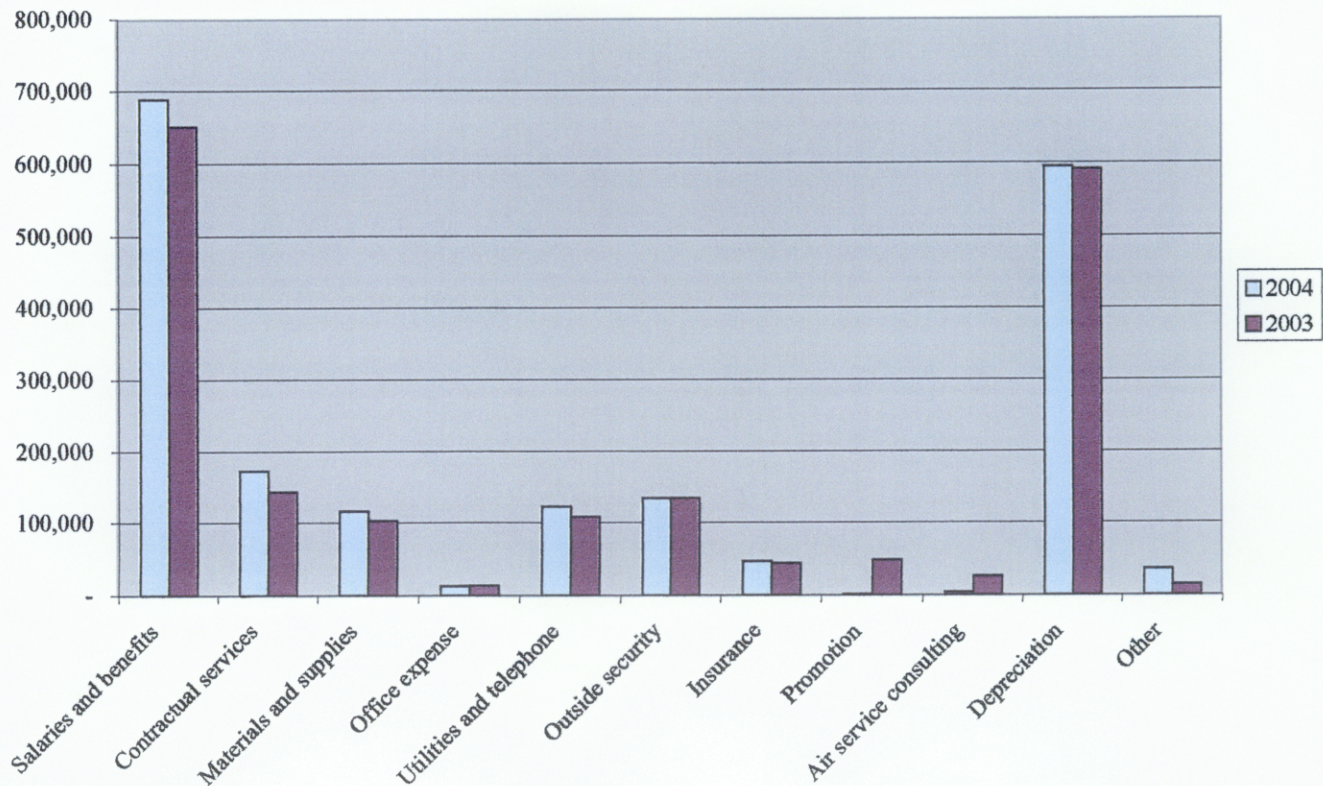
Non-operating revenue



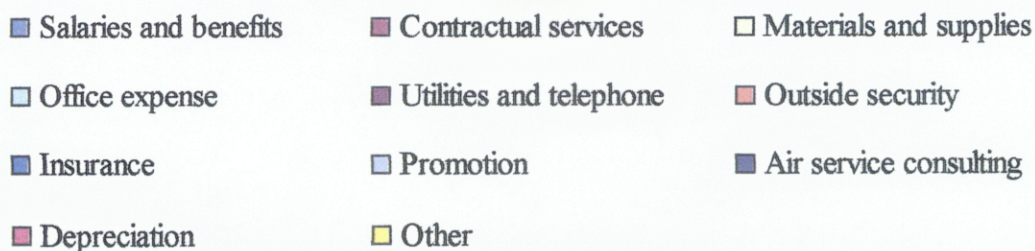
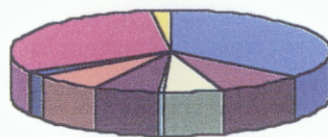
As indicated above a significant source of non-operating revenues came from grants. These revenues were largely used for the construction of a new jetway at a cost of \$1,343,000, to begin HVAC/ electrical upgrades in the terminal and preparation of a master plan.

Total expenses (before depreciation) for the year increased less than 4% from last year; however the authority had to bear additional security cost, since TSA reduced their reimbursement for security in 2004.

Operating expenses



Operating expenses 2004



Airport Authority for Airport District #1 of
Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF NET ASSETS

December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 920,338.06	\$ 1,109,415.99
Accounts receivable		
Trade	62,036.29	41,189.10
Advalorem Taxes	347,039.51	325,874.94
State revenue sharing	8,709.75	13,065.00
Federal grants	40,644.51	17,067.17
State grants	38,889.19	36,872.40
Passenger facility charges	17,895.04	15,308.00
	<u>515,214.29</u>	<u>449,376.61</u>
Prepaid insurance	8,767.76	8,767.76
Total Current Assets	<u>1,444,320.11</u>	<u>1,567,560.36</u>
Noncurrent assets		
Restricted Assets	75,842.00	-
Land	2,410,409.23	2,410,409.23
Construction in progress	156,676.31	281,683.02
Other capital assets, net of accumulated depreciation	10,501,016.86	9,796,479.37
	<u>13,143,944.40</u>	<u>12,488,571.62</u>
TOTAL ASSETS	<u>14,588,264.51</u>	<u>14,056,131.98</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	58,022.53	12,651.81
Construction contract payable	-	45,855.00
Payroll taxes and benefits	33,450.21	31,262.41
Deduction from advalorem taxes for retirement system	11,973.36	11,692.18
Deferred revenues	163,308.34	197,986.62
Total Current Liabilities	<u>266,754.44</u>	<u>299,448.02</u>
Noncurrent Liabilities		
Security deposit	4,000.00	4,000.00
TOTAL LIABILITIES	<u>270,754.44</u>	<u>303,448.02</u>
<u>NET ASSETS</u>		
Invested in capital assets	13,063,059.38	12,408,231.96
Restricted for PFC projects	75,842.00	-
Unrestricted	1,178,608.69	1,344,452.00
TOTAL NET ASSETS	<u>\$ 14,317,510.07</u>	<u>\$ 13,752,683.96</u>

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS

For the years ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Operating revenues		
Rental income	\$ 618,311.62	\$ 636,545.14
Landing fees	61,177.94	59,813.66
Miscellaneous	1,538.86	639.38
Total operating revenues	<u>681,028.42</u>	<u>696,998.18</u>
Operating expenses		
Salaries and benefits	688,919.84	650,853.51
Contractual services	172,920.72	143,348.88
Materials and supplies	116,578.13	103,016.91
Office expense	12,199.45	13,356.07
Utilities and telephone	122,646.19	107,878.09
Security	134,410.00	134,467.84
Insurance	46,519.00	43,948.48
Promotion	644.92	47,733.87
Air service consulting	3,216.39	26,126.93
Depreciation	595,122.00	591,173.63
Other	36,075.03	14,526.57
	<u>1,929,251.67</u>	<u>1,876,430.78</u>
Operating income (loss)	<u>(1,248,223.25)</u>	<u>(1,179,432.60)</u>
Nonoperating revenues (expenses)		
Interest	8,472.39	9,770.40
Ad Valorem tax	371,694.35	345,437.01
State revenue sharing	13,065.75	13,065.75
Grants		
Airport Improvement	1,263,147.25	910,605.45
Security Reimbursement	33,085.50	126,007.50
Air Service	25,871.52	101,246.76
FBO Facility	53,459.38	-
Passenger facility charges	118,464.58	108,984.68
Disposal of fixed assets	(62,238.00)	(27,507.15)
Ad Valorem tax deduction	(11,973.36)	(11,692.18)
	<u>1,813,049.36</u>	<u>1,575,918.22</u>
Increase (decrease) in net assets	<u>564,826.11</u>	<u>396,485.62</u>
Net assets, beginning of year	13,752,683.96	13,356,198.34
Net assets, end of year	<u>\$ 14,317,510.07</u>	<u>\$ 13,752,683.96</u>

See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the Years Ended December 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Cash received from charges	660,181.48	692,306.71
Cash received from Ad Valorem taxes	338,837.60	345,577.40
Cash received from security grant	33,085.50	131,894.59
Cash received from air service grant	24,319.36	53,303.74
Cash payments to suppliers for goods and services	(604,582.11)	(633,936.23)
Cash payments to employees for services	(686,732.05)	(645,505.83)
	<hr/>	<hr/>
Net cash used by operating activities	(234,890.22)	(56,359.62)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,328,003.00)	(1,173,256.77)
Proceeds from the sale of fixed assets	50,000.00	-
Grants received	1,257,886.36	1,110,357.45
Passenger facility charges	115,877.54	108,984.68
State revenue sharing received	17,421.00	13,065.75
	<hr/>	<hr/>
Net cash provided (used) by capital and related financing activities	113,181.90	59,151.11
Cash flows from investing activities:		
Interest on investments	8,472.39	9,770.40
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Net cash provided by investing activities	8,472.39	9,770.40
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	(113,235.93)	12,561.89
Cash and cash equivalents, beginning of year	1,109,415.99	1,096,854.10
	<hr/>	<hr/>
Cash and cash equivalents, end of year - (including \$75,842 in restricted cash)	996,180.06	1,109,415.99
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See notes to the financial statements

Airport Authority for Airport District #1
of Calcasieu Parish - Lake Charles, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended December 2004 and 2003

Reconciliation of operating income to net
cash provided by operating activities:

	<u>2004</u>	<u>2003</u>
Operating income (loss)	\$ (1,248,223.25)	\$ (1,179,432.60)
Depreciation	595,122.00	591,173.63
Nonoperating Ad Valorem taxes	338,837.60	345,577.40
Cash received from security grant	33,085.50	131,894.59
Cash received from air service grant	24,319.36	53,303.74
Changes in assets and liabilities:		
(Increase) decrease in trade accounts receivable	(20,846.95)	(4,691.77)
Increase (decrease) in accounts payable	40,627.72	467.41
Increase (decrease) in wages and benefits payable	2,187.80	5,347.98
Total adjustments	<u>1,013,333.03</u>	<u>1,123,072.98</u>
Net cash used by operating activities	<u>\$ (234,890.22)</u>	<u>\$ (56,359.62)</u>

See notes to the financial statements

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

Year ended December 31, 2004

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
US Department of Transportation Airport Improvement Program	20.106	\$ 1,070,982
US Department of Transportation Small Community Air Service Development Pilot Program		\$ 16,170
US Department of Homeland Security Transportation Security Administration Law Enforcement Personnel Reimbursement Agreement		\$ 33,086

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE A. ORGANIZATION

Airport Authority for Airport District #1 of Calcasieu Parish (the Authority) was created by the Calcasieu Parish Police Jury as provided by Revised Statutes 2:602. The Authority is governed by a board of five commissioners who, along with the Airport Manager, establish regulations governing the maintenance and operations of the facilities of the Lake Charles Regional Airport.

The financial statements of the Authority will be included in the Calcasieu Parish Police Jury's financial reporting as a discretely presented component unit. In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14, "The Financial Reporting Entity." As a discretely presented component unit, the Authority is a separate legal entity, but the Police Jury has an oversight relationship with the Authority.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority complies with Generally Accepted Accounting Principles (GAAP). Because the Authority accounts for its activities as a proprietary fund, the Authority has elected to apply all Governmental Accounting Standards Board (GASB) pronouncements and Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those FASB pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

1. Basis for Accounting

The measurement focus is on the flow of economic resources and the accrual basis of accounting; whereby revenues are recognized when earned and expenses are recorded when incurred.

2. Budget Policy

A proposed budget is prepared and submitted to the Board of Commissioners prior to the beginning of each year. A budget summary and notice of public hearing is published with the public hearing being conducted prior to the commencement of the budget year.

The annual operating budget prepared on the accrual basis of accounting, covers all authority activities. At the end of the fiscal year unexpended appropriations automatically lapse.

3. Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. The Authority generally capitalizes assets with a cost of \$2,500 or more. Depreciation is computed on a straight-line method over the estimated useful lives as follows:

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE B. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

	<u>Years</u>
Building and improvement	30
Land improvements	10-40
Machinery and equipment	3-10
Furniture and fixtures	5-10

4. Operating Revenues and Expenses

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses, and Changes in Net Assets. For this purpose, all revenues generated by operations at the airport are reported as operating revenues. Operating expenses include all costs of operating the airport. As a result, nonoperating revenues and expenses include all investing and financing transactions, including grants and passenger facilities charges required to be used to finance the capital structure of the Authority. Ad valorem taxes and certain grants dedicated to airport operation are also reported as nonoperating revenues. However, these revenues are reported as a source of operating cash flows in the Statement of Cash Flows based on GASB Statement 9.

5. Rental Income

The Authority leases its property to commercial airlines, car rental companies, concessionaires, fixed base operators who service the airline industry, the FAA, and others. A significant portion of these leases are non-cancelable operating leases.

Minimum rentals on non-cancelable operating leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2005	\$235,446
2006	214,351
2007	141,820
2008	24,000
2009	6,000

6. Statement of Cash Flows

For purposes of reporting cash flows all highly liquid investments (including restricted assets) with a maturity of three months or less are considered to be cash equivalents.

7. Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments. Actual results could differ from these estimates.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE C. CASH

The Authority's deposits are fully collateralized by Federal government bonds held by Hibernia National Bank in the name of Airport Authority for Airport District #1 of Calcasieu Parish.

Cash of the Authority is classified into three categories to give an indication of the level of risk assumed at the year end.

Category 1: includes deposits insured or collateralized with securities held by the Authority or its agent in the name of the Authority.

Category 2: includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3: includes insured and unregistered deposits with the securities held by the pledging financial institution, or by its trust department or agent, but not in the Authority's name.

Cash as of December 31, 2004 and 2003 was all classified as Category 1. Cash balances in Category 1 as of December 31, 2004 are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Unrestricted	\$970,647	\$ 920,338
Restricted	<u>75,842</u>	<u>75,842</u>
	<u>\$1,046,489</u>	<u>\$ 996,180</u>

NOTE D. PENSION PLAN

Full-time employees of the Authority are members of the Parochial Employees' Retirement System of Louisiana, a multi-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separated assets and benefit provisions. Eligible employees of the Authority were members of Plan A for 2004. Under Plan A, members with seven years of creditable service may retire at the age 65; members with 10 years of creditable service may retire at age 60; members with 25 years of service may retire at age 55; members with 30 years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service. However, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE D. PENSION PLAN (continued)

credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary or the final compensation. Contributions to the System include $\frac{1}{4}$ of 1% of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries, 9.5% under Plan A, to the System. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation for the prior fiscal year. The employer contribution was 11.75% of covered employees' salaries for 2004 and 7.75% for 2003. The payroll for the Authority employees covered by the system for the year ended December 31, 2004 and 2003 was \$443,501 and \$393,257; the Authority's total payroll and accrued benefits for 2004 and 2003 was \$688,920 and \$650,854, respectively. The Authority contributed \$52,112 and \$30,477 to the system during the years 2004 and 2003.

NOTE E. ANNUAL AND SICK LEAVE

Permanent employees earn one to six weeks of annual leave and two to six weeks of sick leave each year depending on length of service with the Authority. A maximum of ten days of annual leave may be accumulated and carried forward without limitation. Upon termination, employees are paid for unused annual leave only.

NOTE F. AD VALOREM TAXES

For the year ended December 31, 2004, taxes of .61 mills were levied on property with taxable assessed valuations of \$593,216,880 and was dedicated to the operation and maintenance of the Airport.

Property tax millage rates are adopted on a 10 year basis. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien. A renewal election was held and passed in October 2004 to levy millage beginning in 2005 and expiring 2014.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE G. CAPITAL ASSETS

Capital assets consist of the following:

	Balance 12/31/03	Additions	Disposals	Balance 12/31/04
Land	\$ 2,410,409	\$ -	\$ -	\$ 2,410,409
Buildings & Improvements	4,467,934	1,377,739	(130,500)	5,715,173
Land Improvements	15,664,064	-	-	15,664,064
Machinery & Equipment	1,776,801	2,500	(258,478)	1,520,823
Furniture & Fixtures	152,642	31,659	-	184,301
Construction in progress	<u>281,682</u>	<u>1,218,346</u>	<u>(1,343,353)</u>	<u>156,675</u>
	24,753,532	2,630,244	(1,732,331)	25,651,445

Less accumulated depreciation:

Buildings & Improvements	2,678,490	100,937	(101,862)	2,677,565
Land Improvements	8,647,969	379,678	-	9,027,647
Machinery & Equipment	800,695	104,452	(174,878)	730,269
Furniture & Fixtures	<u>137,807</u>	<u>10,055</u>	<u>-</u>	<u>147,862</u>
	12,264,961	595,122	(276,740)	12,583,343
Net capital assets	<u>\$12,488,571</u>	<u>\$ 2,035,122</u>	<u>\$ (1,455,591)</u>	<u>\$13,068,102</u>

NOTE H. RESTRICTED ASSETS

Assets required to be held and/or used as specified in contractual agreements have been reported as Restricted Assets. Restricted Assets at December 31, 2004, consisted of the following:

	<u>Cash</u>
PFC Funds	<u>\$75,842</u>

NOTE I. RELATED PARTY TRANSACTIONS

Pursuant to a Cooperative Endeavor agreement between the Calcasieu Parish Police Jury and the Airport Authority for Airport District #1 of Calcasieu Parish, funding in the amount of \$900,000 is to be provided by the Police Jury for a general aviation complex. As of December 31, 2004 funding in the amount of \$86,707 had been provided for architect fees. Construction has been delayed, but is expected to begin in 2005.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE J. COMMITMENTS AND CONTINGENCIES

As of December 31, 2004 the Authority had completed the new jetway as follows:

	<u>Expended through December 31, 2003</u>	<u>Expended during 2004</u>	<u>Total cost</u>
Jet way	\$ 216,608	\$1,126,745	\$ 1,343,353

As of December 31, 2004 the Authority had approved contracts as follows:

	<u>HVAC/ Electrical Upgrade</u>	<u>Master Plan</u>
Approved contract	\$ 740,007	\$290,000
Expended through December 31, 2004	<u>54,025</u>	<u>33,480</u>
Committed for 2005	\$ <u>685,982</u>	\$ <u>256,520</u>

Funding for the contracts will be made from grant revenues from FAA and DOTD. Also included in the grant is funding in the amount of \$75,000 for reimbursement of an environmental assessment completed and paid for in 2002. The reimbursement was received and reported as revenues in 2004.

On September 20, 2002, the authority was awarded a grant by the United States of America Department of Transportation (USDOT) for a Small Community Air Service Development Pilot Program. The grant supports efforts of the Authority to secure air service from a second carrier. The authority is to use the funds to provide greater promotion and marketing of new service and to provide subsidy to the new airline during the initial stage of its service. The grant provides funding of \$500,000 from USDOT and \$100,000 each from the parish, city, and state. As of December 31, 2002, pursuant to a cooperative endeavor agreement between the Calcasieu Parish Police Jury, the City of Lake Charles, and the Airport Authority for Airport District #1 of Calcasieu Parish, the parish and city provided \$100,000 each to be used for the pilot program. The Federal grant funds are not available to the Authority until expenses are incurred, at which time a receivable is recognized. As of December 31, 2004 the revenues from the Air Service Grant totaled \$25,872. The balance of the funds received in 2002 is included in deferred revenues. Funding from the state is pursuant to a cooperative endeavor agreement between Louisiana Economic Development Corporation and Airport Authority for Airport District #1 of Calcasieu Parish. The agreement provides funding of \$100,000 to be paid in periodic installments of \$25,000 beginning May, 2003. Payments are to be supported by invoices from the Authority detailing costs and expenses incurred in connection with the program.

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

NOTE K. – PASSENGER FACILITY CHARGE

Beginning in March, 2001 Passenger Facility Charges at the rate of \$3 per enplaned passenger have been levied by the Authority under Federal Aviation Administration (FAA) approved applications to impose and use \$4,251,977 for reimbursement of prior FAA approved improvements and construction of new improvements. Total PFC revenues remitted to the Authority as of December 31, 2004 and 2003 were \$118,465 and \$108,985 respectively. As of December 31, 2004 all prior improvements had been reimbursed leaving a balance of \$75,842 of PFC funds available and restricted for future PFC projects.

NOTE L. SUBSEQUENT EVENT – PASSENGER FACILITY CHARGE

In February 2005, the airport submitted an application to the Federal Aviation Administration (FAA) to amend the existing Passenger Facility Charge application. The FAA approved an increase in the charge from \$3.00 to \$4.50 per enplaned passenger. The application is amended to impose and use \$1,177,234 (originally \$4,251,977) for reimbursement of prior FAA approved improvements and construction of new improvements.

Stulb & Associates, APAC

Certified Public Accountants

James F. Stulb, C.P.A.
Kristine S. Carter, C.P.A.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Airport Authority for Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

We have audited the financial statements of the Airport Authority for Airport District #1 of Calcasieu Parish, a component unit of Calcasieu Parish Police Jury, as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated May 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

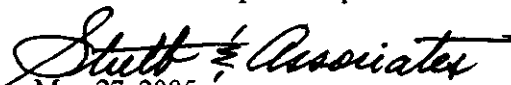
Compliance

As part of obtaining reasonable assurance about whether the Airport Authority for Airport District #1 of Calcasieu Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority for Airport District #1 of Calcasieu Parish's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


May 27, 2005

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Airport Authority of Airport District #1
of Calcasieu Parish
Lake Charles, Louisiana

Compliance

We have audited the compliance of Airport Authority of Airport District #1 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control over Compliance

The management of the Airport Authority of Airport District #1 of Calcasieu Parish is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the Federal Aviation Administration and the Louisiana Legislative Auditor. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Stulb & Associates

May 27, 2005

Airport Authority for Airport District #1 of Calcasieu Parish
Lake Charles, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2004

CURRENT AUDIT

US Department of Transportation
Airport Improvement Program – CFDA Number 20.106

US Department of Transportation
Small Community Air Service
Development Pilot Program

US Department of Homeland Security
Transportation Security Administration
Law Enforcement Personnel
Reimbursement Agreement

There were no findings or questioned costs in the current audit report that requires further comment.